

The next MFF and Own resources

Background note for the BUDG Interparliamentary Committee Meeting of the European Parliamentary Week
18 February 2019

Treaty provisions

The special legislative procedure for [adopting the Multiannual financial framework \(MFF\)](#), set out in [Article 312 TFEU](#), requires both consent of the European Parliament (EP -by a majority of its component members) and unanimity in the Council, while the one for [reforming Own resources \(OR\)](#) requires under [Article 311 TFEU](#) consultation of the EP, a unanimous Council decision and ratification by the Member States (MSs). The implementing measures on own resources require the consent of the EP. Most of the basic acts for the new generation of financial programmes are to be adopted under the ordinary legislative procedure.

Proposals

The Commission **presented on 2 May 2018 the MFF Regulation proposal**, after the time it was due under the current MFF Regulation due to its reflections on Brexit and the [future of the EU](#). It was accompanied by a [proposal for an Interinstitutional Agreement \(IIA\)](#) between the EP, the Council and the Commission on budgetary discipline, cooperation in budgetary matters and on sound financial management and by a set of proposals for a new system of OR comprising in particular a [Council decision](#) and a [Council regulation on implementing measures](#). Proposals for legislative programmes followed over May - June 2018. The [Court of auditors \(CoA\)](#), [EESC](#) and [Committee of Regions](#) published their views on the MFF package. The CoA published separately an [opinion on the new system of OR](#). Contributions and a reasoned opinion on subsidiarity were also received from [national parliaments](#).

Decision-making and state-of-play

Mid-March 2018, the EP had spelled out its expectations as regards the [MFF post-2020](#) and the [reform of the OR](#) system. In particular its intention to treat both as a single political package, and the need for more coherence, and a reinforced role of the EP, in the decision-making. On [30 May 2018](#), Parliament took a critical stance on the proposed budget cuts and a more positive view on the OR and flexibility proposals. On [14 November 2018](#) the EP further detailed its views, including amendments to the MFF regulation and IIA proposals and a complete set of figures with breakdown by heading and programme. The aim of the EP and Commission had been to finalise texts and figures before the 2019 EP elections to enable a good start of the next programmes. The slower progress and disagreements within Council cast however doubt on the possibility to adopt the MFF before 2020. On 30 November 2018, the Council published a first [progress report](#) and “[draft negotiating box](#)”. Although this is not foreseen by the treaties, the negotiating box is prepared by the Council for discussions among Heads of State and Government at the European Council and expected to be finalised in the form of European Council conclusions. In a [communication of 4 December 2018](#) Commission urged an agreement “in the European Council by October 2019”, while the latter aims at an agreement “in autumn 2019” (conclusions of 13-14 December 2018). In line with the treaty provision inviting any necessary measure to be taken to facilitate the adoption of the MFF (Art. 312(5) TFEU)



the EP annotated in detail the negotiating box, expressing concerns that elements to be decided as part of the programmes under relevant ordinary legislative procedures were found in it whereas the European Council has no legislative powers. The EP has been warning against this practice as a breach of parliamentary rights, the spirit and letter of the treaties.

- *EP MFF Co-Rapporteurs: MEPs Jan Olbrycht (EPP, PL) & Isabelle Thomas (S&D, FR)*
- *EP Own resources Co-Rapporteurs: MEPs Janusz Lewandowski (EPP, PL) & Gérard Deprez (ALDE, BE)*

MFF 2021-2027

Commission's proposal: It amounts to EUR 1 134 583 million (2018 prices) in commitment appropriations, representing 1.11 % of the EU-27's GNI. Increases concern mostly border control, defence, migration, internal and external security, development cooperation and research. Cuts concern mostly Cohesion and Agricultural policies. Moreover, Commission proposes a set of special budgetary instruments outside the MFF ceilings to improve flexibility in EU budgeting, such as Flexibility Instrument (EUR 1 billion per year), Emergency Aid Reserve (EUR 600 million per year), European Union Solidarity Fund (EUR 600 million per year), European Globalisation Adjustment Fund (EUR 200 million per year), European Peace Facility, European Investment Stabilisation Function (loans of up to EUR 30 billion over the MFF period). The European Development Fund (EDF) would be integrated into the MFF.

EP views: The MFF ceiling for commitments should increase from the current 1.0 %, to 1.3 % of EU GNI. i.e. EUR 1 324 089 million (2018 prices), 16.7 % above the proposal. The CAP and cohesion policy should remain unchanged in real terms while several priorities should be further reinforced among which single market, innovation and digital (in particular Horizon Europe), cohesion and values (in particular Erasmus+ and a new Child Guarantee amounting to EUR 5.9 billion), natural resources and environment (in particular LIFE and a new Energy Transition Fund amounting to EUR 4.8 billion). Financing for decentralised agencies involved in migration and border management should increase by 44.4 %. The EU's contribution to the achievement of climate objectives should be set at a minimum of 25% of MFF expenditure in 2021-2027, and 30% as soon as possible and no later than 2027. A mid-term revision of the MFF should be mandatory and proposed by 1 July 2023.

Own resources

The Monti group's [final report](#) of January 2017 proposed options for making the system more simple, fair and transparent, a long-standing priority for the EP. **Commission's proposal** is to retain the VAT and GNI based OR but simplify the former and diminish the latter's role as balancing resource. MSs, to cover their costs, would no longer retain 20% but 10% of the traditional OR they collect (mainly customs duties). Three new OR linked to EU policies and objectives would be introduced: one based on a Common Consolidated Corporate Tax Base (CCCTB), a share of the revenues generated by the EU Emissions Trading System and a national contribution based on the quantity of non-recycled plastic packaging waste generated in each MS. Together they could represent 12% of the EU revenue over 2021-2027. Moreover, any new revenue arising from EU policies should accrue to the EU budget by principle. All correction mechanisms (concerning currently six MSs including the UK rebate) would be phased out over a transitional period of five years. The current ceiling on annuals calls for OR from the MSs, at 1.20 % of the EU's GNI, would be raised to 1.29 % in view of a smaller EU-27 total GNI, increasing use of instruments guaranteed against the EU budget and integration of the EDF. **The EP** welcomed the proposal as an important step and encouraged even more ambition in this direction, notably by further extending the list of new own resources (FTT, carbon border adjustment mechanism) and other revenues.

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